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Administrative Assessment Report

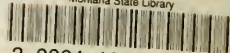
Fiscal 1978



**DIVISION OF
WORKERS'
COMPENSATION**



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REPORT ON ADMINISTRATIVE ASSESSMENTS LEVIED
AGAINST PLAN I SELF-INSURERS, PLAN II INSURANCE
CARRIERS, AND PLAN III STATE COMPENSATION INSURANCE FUND

For the Period July 1, 1977 - June 30, 1978

In order to fund the administrative and operational functions of the Division of Workers' Compensation, the Montana Workers' Compensation Act requires the Division to assess Compensation Plan I self-insurers, Plan II private insurance carriers, and the State Compensation Insurance Fund (Plan III).

Section 92-116.1, Revised Codes of Montana, 1947, provides the basis for levying administrative assessments against the three compensation plans. The statute provides in part as follows:

"...the assessments shall be sufficient to fund the direct costs identified to the three (3) plans and an equitable portion of the indirect costs distributed to the plans using proper accounting and cost allocation procedures. Plan No. 3 shall be assessed an amount sufficient to fund its direct costs and an equitable portion of the indirect costs as referred to above. Other sources of revenue including unexpended funds from the preceding fiscal year shall be used to reduce the costs before levying the assessments."

The law requires the Division to allocate the costs of operation to Plans I, II and III on an equitable basis in order to calculate an assessment rate. The total needed assessment consists of direct and indirect costs. Direct costs include major program costs that can be identified to one of the three plans. Indirect costs cannot be directly attributed to one of the three plans and, therefore, must be allocated to each plan based on reasonable and logical factors.

The administrative assessments are separated into three phases.

PHASE ONE consists of the schedules identified as "Exhibit A". The purpose of these schedules is to recalculate the fiscal year 1976-77 assessments so that unexpended funds can be properly credited to the three plans.

Exhibit A-1

This schedule allocates the executive, centralized services and accounting units' actual costs to the other programs and sub-programs based on the number of employee positions. The method is the same as used in last year's assessment report to allocate the estimated costs.

Exhibit A-2

This schedule shows the distribution to Plans I, II and III of the 1976-77 estimated costs compared to the distribution of the actual costs using actual factors. This method allows for a proper allocation of the unexpended funds to Plans I, II and III, which will decrease the 1977-78 assessments by the totals shown at the bottom of page 8.

The distribution is made using actual cost figures, the programs' share of administrative costs, other funding sources and relevant criteria or factors for each program.

Exhibit A-3

This schedule identifies and distributes \$14,828.40 to Plans I and II which was collected over and above the 1976-77 needed assessment. Plans I and II are credited with the amounts shown and the 1977-78 needed assessment is reduced accordingly.

PHASE TWO consists of the schedules identified as "Exhibit B". The purpose of these schedules is to determine the total needed assessment for 1977-78 based on estimated costs distributed to the three plans using 1976-77 actual factors.

Exhibit B-1

This schedule allocates the fiscal year 1978 executive, centralized services, and accounting functions' estimated costs to the other programs based on the number

of available employee positions. Since there is no uniform factor, such as claims, inspections, etc., which would equitably allocate these administrative costs to Plans I, II and III, the Division determined that allocating the costs to the other programs and in turn allocating the total costs, as shown in Exhibit B-2, to the three plans is most equitable.

Exhibit B-2

This schedule distributes the fiscal year 1978 estimated costs to the three plans. The distribution of these costs is based upon relative criteria for each program; i.e., number of inspections in the mining program or number of claims processed in the insurance compliance program. The factors and percentages used to distribute the costs are the 1976-77 actual figures as shown on Exhibit A-2.

At the bottom of the schedule, the "Total Needed Assessment" is shown for all three plans. The total needed assessment is in agreement with the amounts appropriated by the legislature to fund the Division's operations for fiscal year 1977-78.

The total needed assessment for each plan is decreased to provide for the proper distribution of the unexpended balance from fiscal year 1976-77. The assessment for Plans I and II is further reduced by the amount of over-collection from the fiscal year 1976-77 assessments.

PHASE THREE consists of the schedule shown as Exhibit C-1". This phase calculates the assessment rate.

Exhibit C-1

This exhibit shows the calculation necessary to arrive at the assessment rate charged to each self-insurer and insurance carrier. The rate for Plan I is determined by dividing the total Plan I needed assessment calculated in Exhibit B-2 by the total calendar year 1976 gross annual payroll. The rate for Plan II is determined by dividing the total Plan II needed assessment calculated in Exhibit B-2 by the total gross annual premium for calendar year 1976. Gross annual payroll was taken from reports submitted to the Division by all self-insurers.

Gross annual premium was determined from the insurance carriers' annual reports submitted to the State Auditor's Office. An assessment rate for Plan III is unnecessary because the total amount to be assessed has been determined in Exhibit B-2.

Each Plan I self-insurer will be assessed by multiplying the rate determined in Exhibit C-1 by its gross annual payroll for calendar year 1976. Assessments for each Plan II insurance carrier will be determined by multiplying the rate determined in Exhibit C-1 by its gross annual premium for calendar year 1976. State law provides a minimum assessment of \$200.00.

ALLOCATION OF EXECUTIVE, CENTRALIZED SERVICES AND ACCOUNTING
UNITS' ACTUAL FISCAL YEAR 1976-77 COSTS TO OTHER PROGRAMS AND
SUB-PROGRAMS BASED ON THE NUMBER OF EMPLOYEE POSITIONS

<u>Program or Sub-Program</u>	<u>Number of Positions</u>	<u>Percent of Total</u>	<u>Actual Cost Allocation**</u>
State Insurance Fund	50	38.2%	\$184,728.12
Insurance Compliance	25	19.1%	92,364.06
Auditing	11	8.4%	40,620.84
Rehabilitation	6	4.6%	22,244.75
Data Processing	8	6.1%	29,498.47
Safety Administration	2	1.5%	7,253.72
Safety Compliance	12	9.2%	44,489.50
Boiler Inspection	6	4.6%	22,244.75
Mining Inspection	7	5.3%	25,629.82
Training and Consultation	<u>4</u>	<u>3.0%</u>	<u>14,507.44</u>
Total	<u>131</u>	<u>100.0%</u>	<u>\$483,581.47</u>

Actual Costs

Executive	\$213,193.38
Centralized Services	146,256.63
Accounting	<u>124,131.46</u>
Total	<u>\$483,581.47</u>

** These figures represent the actual costs which should be allocated to the various programs and sub-programs and are added to the program costs on Exhibit A-2.

SCHEDULE OF FISCAL YEAR 1976-77 ACTUAL COSTS AND FACTORS COMPARED TO THE 1976-77
ESTIMATED COST ALLOCATIONS TO DETERMINE THE INCREASES OR DECREASES AFFECTING
THE FISCAL YEAR 1977-78 ESTIMATED COST ALLOCATION AS SHOWN ON EXHIBIT B-2

<u>Program or Sub-Program</u>	<u>Costs and Factors</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
1. Workers' Compensation Judge 1976-77 Allocation		\$ 17,503.83	\$ 91,105.99	\$ 34,864.18
Actual:				
# of Hearings	160	19	104	37
Percent of Total		11.9%	65.0%	23.1%
Cost Allocation		\$ 143,474.00	\$ 93,258.10	\$ 33,142.49
INCREASE OR (DECREASE)		\$.00	\$ 2,152.11	(\$ 1,721.69)
2. Auditing 1976-77 Allocation		\$ 269,113.60	\$.00	\$ 269,113.60
Actual:				
Cost	\$214,587.05			
Share of Administration	40,620.84	\$.00	\$.00	\$ 255,207.89
INCREASE OR (DECREASE)		(\$ 13,905.71)	\$.00	(\$ 13,905.71)
3. Rehabilitation 1976-77 Allocation		\$ 148,873.46	\$ 53,296.70	\$ 82,327.02
Actual:				
# of Claimants		42	189	295
Percent of Total		8.0%	35.9%	56.1%
Cost	\$112,773.73			
Share of Administration	22,244.75	\$ 10,801.48	\$ 48,471.63	\$ 75,745.37
INCREASE OR (DECREASE)		(\$ 13,854.98)	(\$ 4,825.07)	(\$ 6,581.65)
4. Data Processing 1976-77 Allocation		\$ 151,893.94	\$ 76,402.65	\$ 59,694.32
Actual:				
# of Documents We Processed (Weighted)				
Percent of Total		33,280	218,870	310,322
Cost	\$241,902.71	5.9%	38.9%	55.2%
Share of Administration	29,498.47			
Less Federal Funding	(37,728.94)	\$ 13,786.66	\$ 90,898.50	\$ 128,987.08
INCREASE OR (DECREASE)		\$ 81,778.30	(\$ 14,495.85)	\$ 69,292.76

5. Safety Administration 1976-77 Allocation	\$ 76,771.49	\$ 3,070.86	\$ 12,360.21	\$ 61,340.42
Actual:				
Activity All Units	13,682	476	2,561	10,645
Percent of Total		3.5%	18.7%	77.8%
Cost				
Share of Administration	\$ 52,530.03	\$ 1,838.55	\$ 9,823.12	\$ 40,868.36
INCREASE OR (DECREASE)	<u>(\$ 24,241.46)</u>	<u>(\$ 1,232.31)</u>	<u>(\$ 2,537.09)</u>	<u>(\$ 20,472.06)</u>
6. Safety Compliance 1976-77 Allocation	\$299,008.91	\$ 7,475.23	\$ 34,386.02	\$257,147.66
Actual:				
Inspection Hours	10,353	243	944	9,166
Percent of Total		2.4%	9.1%	88.5%
Cost				
Share of Administration	\$247,931.34	\$ 5,950.35	\$ 22,561.75	\$219,419.24
INCREASE OR (DECREASE)	<u>(\$ 51,077.57)</u>	<u>(\$ 1,524.88)</u>	<u>(\$ 11,824.27)</u>	<u>(\$ 37,728.42)</u>
7. Boiler Inspection 1976-77 Allocation	\$127,866.46	\$ 9,845.72	\$ 42,963.13	\$ 75,057.61
Actual:				
Boiler Activity	2,288	110	1,238	940
Percent of Total		4.8%	54.1%	41.1%
Cost				
Share of Administration	\$102,755.49	\$ 3,899.39	\$ 43,949.35	\$ 33,388.50
Less Fees Collected	<u>22,244.75</u>	<u>(\$ 5,946.33)</u>	<u>\$ 986.22</u>	<u>(\$ 41,669.11)</u>
INCREASE OR (DECREASE)	<u>(\$ 46,629.22)</u>			
8. Mining Inspection 1976-77 Allocation	\$144,121.65	\$ 27,094.87	\$ 56,783.93	\$ 60,242.85
Actual:				
Mining Activity	776	116	340	320
Percent of Total		15.0%	43.8%	41.2%
Cost				
Share of Administration	\$122,091.24	\$ 17,026.46	\$ 49,717.27	\$ 46,766.01
Less Federal Funding	<u>25,629.82</u>	<u>(\$ 10,068.41)</u>	<u>(\$ 7,066.66)</u>	<u>(\$ 13,476.84)</u>
INCREASE OR (DECREASE)	<u>(\$ 30,611.91)</u>			

SCHEDULE OF FISCAL YEAR 1976-77 COSTS AND FACTORS (Continued)

Program or Sub-Program	Costs and Factors	Plan I	Plan II	Plan III
9. Safety Training & Consultation 1976-77 Allocation		\$.00	\$ 24,526.65	\$ 78,961.32
Actual:				
# First Aid & Safety Courses	265	7	39	219
Percent of Total		2.6%	14.7%	82.7%
Cost	\$ 71,393.19			
Share of Administration	14,507.44	\$ 2,233.42	\$ 12,627.39	\$ 71,039.82
INCREASE OR (DECREASE)		<u>\$ 2,233.42</u>	<u>(\$ 11,899.26)</u>	<u>(\$ 7,921.50)</u>
10. Insurance Compliance 1976-77 Allocation		\$101,586.40	\$340,093.61	\$.00
Actual:				
# of Claims	3,154	819	2,335	0
Percent of Total		26.0%	74.0%	0%
Cost	\$326,694.26			
Share of Administration	\$ 92,364.06	\$105,129.19	\$299,213.85	\$.00
Less General Fund	<u>(\$ 14,715.28)</u>	<u>\$ 3,542.79</u>	<u>(\$ 40,879.76)</u>	<u>\$.00</u>
INCREASE OR (DECREASE)		<u>\$ 1,566,021.51</u>	<u>\$.00</u>	<u>\$1,566,021.51</u>
11. State Insurance Fund 1976-77 Allocation		\$.00	\$.00	\$1,037,932.75
Actual:				
Cost	\$853,204.63	\$.00	\$.00	\$ 528,088.76
Share of Administration	184,728.12	\$.00	\$.00	(\$ 528,088.76)
INCREASE OR (DECREASE)		<u>(\$ 17,884.71)</u>	<u>(\$ 61,397.93)</u>	<u>(\$602,272.98)</u>
TOTAL INCREASES OR (DECREASES) to Exhibit B-2		<u>(\$681,555.62)</u>	<u>(\$ 61,397.93)</u>	<u>(\$602,272.98)</u>

SCHEDULE CALCULATING AMOUNT OF INCOME COLLECTED
IN EXCESS OF 1976-77 NEEDED ASSESSMENT
TO BE CARRIED FORWARD TO 1977-78 ASSESSMENT

	<u>Plan I</u>	<u>Plan II</u>	<u>Total</u>
Total Collected	\$134,536.20	\$704,731.57	\$839,267.77
Total Needed Assessment F/Y 1977	<u>\$130,964.80</u>	<u>\$693,474.57</u>	<u>\$824,439.37</u>
Adjustment Credit F/Y 1978 to Exhibit <u>B-2</u>	<u>\$ 3,571.40</u>	<u>\$ 11,257.00</u>	<u>\$ 14,828.40</u>

ALLOCATION OF EXECUTIVE, CENTRALIZED SERVICES AND ACCOUNTING
UNITS' ESTIMATED FISCAL YEAR 1977-78 COSTS TO OTHER PROGRAMS
AND SUB-PROGRAMS BASED ON THE NUMBER OF EMPLOYEE POSITIONS

<u>Program or Sub-Program</u>	<u>Number of Positions</u>	<u>Percent of Total</u>	<u>Estimated Cost Allocation**</u>
State Insurance Fund	50	38.2%	\$221,340.73
Insurance Compliance	25	19.1%	110,670.37
Auditing	11	8.4%	48,671.78
Rehabilitation	6	4.6%	26,653.60
Data Processing	8	6.1%	35,344.99
Safety Administration	2	1.5%	8,691.39
Safety Compliance	12	9.2%	53,307.19
Boiler Inspection	6	4.6%	26,653.60
Mining Inspection	7	5.3%	30,709.58
Training and Consultation	<u>4</u>	<u>3.0%</u>	<u>17,382.77</u>
Total	<u>131</u>	<u>100.0%</u>	<u>\$579,426.00</u>

Estimated Costs

Executive	\$268,071.00
Centralized Services	174,625.00
Accounting	<u>136,730.00</u>
Total	<u>\$579,426.00</u>

** These figures are the estimated costs of administration allocated to the various programs and are added to the program costs on Exhibit B-2.

SCHEDULE OF FISCAL YEAR 1977-78 ESTIMATED COSTS PER
OPERATIONAL PLAN ALLOCATED TO PLANS I, II AND III
USING ACTUAL 1976-77 FACTORS** TO CALCULATE NEEDED ASSESSMENT

<u>Program or Sub-Program</u>	<u>Total Cost</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
1. Workers' Compensation Judge Cost Supplemental Appropriation	\$152,531.00 .00	11.9%	65.0%	23.1%
ALLOCATION	<u>\$152,531.00</u>	<u>\$ 18,151.19</u>	<u>\$ 99,145.15</u>	<u>\$ 35,234.66</u>
2. Auditing Cost Share of Administration	\$219,547.00 48,671.78	<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>
ALLOCATION	<u>\$268,218.78</u>	<u>\$.00</u>	<u>\$.00</u>	<u>\$268,218.78</u>
3. Rehabilitation Cost Share of Administration	\$115,845.00 26,653.60	<u>8.0%</u>	<u>35.9%</u>	<u>56.1%</u>
ALLOCATION	<u>\$142,498.60</u>	<u>\$ 11,399.89</u>	<u>\$ 51,157.00</u>	<u>\$ 79,941.71</u>
4. Data Processing Cost Share of Administration Less Federal Funding	\$176,300.00 \$ 35,344.99 (\$ 50,617.00)	<u>5.9%</u>	<u>38.9%</u>	<u>55.2%</u>
ALLOCATION	<u>\$161,027.99</u>	<u>\$ 9,500.65</u>	<u>\$ 62,639.89</u>	<u>\$ 88,887.45</u>
5. Safety Administration Cost Share of Administration	\$ 60,209.99 8,691.39	<u>3.5%</u>	<u>18.7%</u>	<u>77.8%</u>
ALLOCATION	<u>\$ 68,900.39</u>	<u>\$ 2,411.52</u>	<u>\$ 12,884.37</u>	<u>\$ 53,604.50</u>
6. Safety Compliance Cost Share of Administration	\$220,032.00 \$ 53,307.19	<u>2.4%</u>	<u>9.1%</u>	<u>88.5%</u>
ALLOCATION	<u>\$273,339.19</u>	<u>\$ 6,560.14</u>	<u>\$ 24,873.87</u>	<u>\$241,905.18</u>
7. Boiler Inspection Cost Share of Administration Less Estimated Fees	\$123,210.00 \$ 26,653.60 (\$ 23,000.00)	<u>4.8%</u>	<u>54.1%</u>	<u>41.1%</u>
ALLOCATION	<u>\$126,863.60</u>	<u>\$ 6,089.45</u>	<u>\$ 68,633.21</u>	<u>\$ 52,140.94</u>

SCHEDULE OF FISCAL YEAR 1977-78 ESTIMATED COSTS (Continued)

<u>Program or Sub-Program</u>	<u>Total Cost</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
8. Mining Inspection		<u>15.0%</u>	<u>43.8%</u>	<u>41.2%</u>
Cost	\$128,826.00			
Share of Administration	\$ 30,709.58			
Less Federal Funding	<u>(\$ 42,143.00)</u>			
ALLOCATION	<u>\$117,392.58</u>	<u>\$ 17,608.89</u>	<u>\$ 51,417.95</u>	<u>\$ 48,365.74</u>
9. Safety Training & Consultation		<u>2.6%</u>	<u>14.7%</u>	<u>82.7%</u>
Cost	\$ 81,837.00			
Share of Administration	<u>17,382.77</u>			
ALLOCATION	<u>\$ 99,219.77</u>	<u>\$ 2,579.71</u>	<u>\$ 14,585.31</u>	<u>\$ 82,054.75</u>
10. Insurance Compliance		<u>26.0%</u>	<u>74.0%</u>	<u>0.0%</u>
Cost	\$351,324.00			
Share of Administration	<u>110,670.37</u>			
ALLOCATION	<u>\$461,994.37</u>	<u>\$120,118.54</u>	<u>\$341,875.83</u>	<u>\$.00</u>
11. State Insurance Fund		<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>
Cost	\$ 948,386.00			
Share of Administration	<u>221,340.73</u>			
ALLOCATION	<u>\$1,169,726.73</u>	<u>\$.00</u>	<u>\$.00</u>	<u>\$1,169,726.73</u>
TOTAL NEEDED ASSESSMENT	\$3,041,713.00	\$194,419.98	\$727,212.58	\$2,120,080.44
Less:				
Adjustment Exhibit <u>A-2</u>	(\$ 681,555.62)	(\$ 17,884.71)	(\$ 61,397.93)	(\$ 602,272.98)
Collection Adjustment Exhibit <u>A-3</u>	<u>(\$ 14,828.40)</u>	<u>(\$ 3,571.40)</u>	<u>(\$ 11,257.00)</u>	<u>(\$.00)</u>
NET NEEDED ASSESSMENT	<u>\$2,345,328.98</u>	<u>\$172,963.87</u>	<u>\$654,557.65</u>	<u>\$1,517,807.48</u>

** Factors shown on Exhibit A-2 and only Percent of Total figures shown on this schedule.

CALCULATION OF FISCAL YEAR 1977-78 ASSESSMENT RATE
FOR PLANS I, II AND III BASED ON 1976 CALENDAR YEAR
GROSS PAYROLL AND GROSS ANNUAL PREMIUM

Plan I

Net F/Y 78 Needed Assessment (Exhibit <u>B-2</u>)	\$ 172,963.87
Divided by	.
Gross Annual Payroll	\$273,665,499.31
Equals	<u> </u>
Plan I Assessment Rate	<u>.063%</u>

Plan II

Net F/Y 78 Needed Assessment (Exhibit <u>B-2</u>)	\$ 654,557.65
Divided by	.
Gross Annual Premium	\$ 25,842,103.39
Equals	<u> </u>
Plan II Assessment Rate	<u>2.53%</u>

Plan III

Net F/Y 78 Needed Assessment (Exhibit B-2)	<u>\$ 1,517,807.48</u>
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